

Message Text

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ACTION EB-03

INFO OCT-01 ISO-00 SS-14 SP-02 INR-05 L-01 EUR-08 /034 W

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R 161605Z JUL 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 9129

C O N F I D E N T I A L VIENNA 5936

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FOR ASSISTANT SECRETARIES HARTMAN AND GREENWALD FROM
AMBASSADOR

EO 11652: GDS

TAGS: ETRD, AU

SUBJECT: REFLECTIONS ON AUSTRIAN SPECIALTY STEEL ISSUE

REF: STATE 173463

1. HAVING SPENT A GOOD DEAL OF TIME DURING THE LAST
FEW WEEKS IN ASSESSING THE STATE OF U.S.-AUSTRIAN
RELATIONS AND REFLECTING ON THE RELATIVE PRIORITIES
FOR THE U.S. IN THIS COUNTRY, I NOW FIND MYSELF IN THE
POSITION OF COMMENTING ON THE AUSTRIAN DEMARCHE ON
SPECIALTY STEEL AND MUST ADMIT THAT I AM NOT SURPRISED
THAT THE AUSTRIANS ARE UNHAPPY ABOUT BEING INCLUDED IN
A BASKET QUOTA IN LIEU OF A SEPARATE QUOTA AS GIVEN
TO OTHER PRINCIPAL SUPPLIER COUNTRIES, THE AUSTRIANS CONSIDER
THEMSELVES, OF COURSE, A PRINCIPAL SUPPLIER TO U.S.
IN ONE IMPORTANT CATEGORY, NAMELY ALLOY TOOL STEEL.

2. AS FOREIGN MINISTER BIELKA'S LETTER TO SECRETARY
KISSINGER INDICATES, THE AUSTRIANS FEEL THAT THEY
HAVE BEEN GIVEN A RAW DEAL AND THEY ARE OBVIOUSLY
NOT ASSUAGED BY ARGUMENTS THAT THEY CAN COMPETE FOR
THE ENTIRE BASKET TOOL STEEL QUOTA. THEIR CONCERN
IS HEIGHTENED BY THE FACT THAT OTHER POTENTIAL NEW
SUPPLIERS INCLUDED IN THE BASKET QUOTA MAY ENTICE LONG
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ESTABLISHED AMERICAN CUSTOMERS AWAY FROM AUSTRIA;

THEY NOTE THAT POLAND IS WORKING HARD AT MAXIMIZING FOREIGN EXCHANGE RECEIPTS AND FEAR THAT POLAND WILL MOVE AGGRESSIVELY TO TAKE AWAY TOOL STEEL EXPORTS FROM THEM. TRADE MINISTER STARIBACHER, STATE SECRETARY VESELSKY (THE CHANCELLOR'S ECONOMIC CONFIDANT), AND THE TOP PEOPLE IN THE FEDERAL CHAMBER OF COMMERCE HAVE TOLD ME AND MEMBERS OF EMBASSY'S ECONOMIC STAFF THAT THEY CONSIDER THE U.S. ACTION MOST UNFORTUNATE; THEY SEEM TO BE PARTICULARLY IRRITATED BY BEING LUMPED TOGETHER WITH A CONTROLLED ECONOMY SUCH AS POLAND.

3. THUS THE BASKET DECISION MAY NOT ONLY HURT AUSTRIA'S EXPORTS, BUT IT ALSO HURTS THEIR FEELING OF IDENTITY WITH THE WEST, A SITUATION THAT HAS NOT GONE UNNOTICED BY THE PRESS AND OTHER PUBLIC MEDIA. WITHOUT GOING INTO THE STATISTICAL NUANCES OF THIS SITUATION, I BELIEVE IT WILL BE SELF-EVIDENT TO YOU THAT OUR CONTINUED EFFORTS TO OBTAIN AUSTRIAN SUPPORT TO A WIDE VARIETY OF POSITIONS AND INITIATIVES ON WHICH THE U.S GOVERNMENT FEELS STRONGLY WILL NOT BE HELPED BY THIS SITUATION. IN THIS CONNECTION, PLEASE NOTE WHAT I SAID IN VIENNA'S 4951, ABOUT OUR PRIORITY INTERESTS IN THIS COUNTRY AND THE AUSTRIAN BELIEF THAT DEVELOPMENTS IN THE U.S. MAY LARGELY DETERMINE THEIR OWN FUTURE.

4. I DO HOPE THAT WE CAN BEND A LITTLE ON THIS ISSUE AND THAT THE DEPARTMENT AND STR WILL WORK OUT A MUTUALLY ACCEPTABLE ARRANGEMENT WITH THE AUSTRIANS. MY FEELING IS THAT AUSTRIA'S PAST EXPORT LEVELS IN THE TOOL STEEL CATEGORY MAY INDEED BE THREATENED, AND I WOULD HOPE THAT THIS CRITICAL CATEGORY CAN BE BROKEN OUT OF THE BASKET FOR THE AUSTRIANS. BUCHANAN

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, POLICIES, TRADE CONTROLS, STEELS, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JUL 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976VIENNA05936
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760275-0157
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760748/aaaabpza.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 76 STATE 173463
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by greeneet>; APPROVED <05 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REFLECTIONS ON AUSTRIAN SPECIALTY STEEL ISSUE
TAGS: ETRD, AU, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006